

TRI-TOWNSHIP FIRE DISTRICT
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <i>Tri-Township Fire District</i>		County <i>Saginaw</i>
Audit Date <i>12/1/04</i>		Opinion Date <i>2/6/05</i>		Date Accountant Report Submitted to State: <i>4/21/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	J		
Reports on individual federal financial assistance programs (program audits).			J
Single Audit Reports (ASLGU).			J

Certified Public Accountant (Firm Name) <i>Barry E. Gauderke, CPA, PC</i>			
Street Address <i>1107 E. 8th Street</i>		City <i>Traverse City</i>	State <i>MI</i> ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gauderke, CPA</i>			

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Fire District Board
Tri-Township Fire District
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-Township Fire District, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Tri-Township Fire District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements present only the Tri-Township Fire District Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality's, in conformity with accounting principles generally accepted in the United States of America.

Tri-Township Fire District
Independent Auditors' Report
Page Two

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Township Fire District, Saginaw County, Michigan, as of December 31, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2005, on our consideration of the Tri-Township Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note V(c), the Tri-Township Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of December 31, 2004.

Barry E. Landolt, CPA, PC

February 6, 2005

BASIC FINANCIAL STATEMENTS

Tri-Township Fire District
Statement of Net Assets
December 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 100,126
Investments	76,816
Capital assets (net of accumulated depreciation):	
Land	50,000
Buildings	154,868
Major equipment	197,582
Minor equipment	<u>37,280</u>
Total Assets	<u>616,672</u>
 LIABILITIES	
Noncurrent liabilities:	
Due within one year	17,875
Due in more than one year	<u>78,951</u>
Total liabilities	<u>96,826</u>
 NET ASSETS	
Unrestricted	<u>519,846</u>
Total net assets	<u><u>\$ 519,846</u></u>

See notes to financial statements.

Tri-Township Fire District
Government-Wide
Statement of Activities
For The Year Ended December 31, 2004

Programs		Program Revenues		
		<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>
Governmental				<u>Capital Grants and Contrib.'s</u>
activities:				
Public				
safety	\$183,730	\$ 2,320	\$ 289,054	\$ 102,384
Other:				
Depreciation	52,416			
Interest on				
long-term				
debt	<u>6,726</u>			
Total				
governmental				
activities	<u>\$242,872</u>	<u>\$ 2,320</u>	<u>\$ 289,054</u>	<u>\$ 102,384</u>

General revenues:

Interest earnings

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Net (Expenses)
Revenues and
Changes in
Net Assets

\$ 210,028

(52,416)

(6,726)

150,886

1,071

1,071

151,957

367,889

\$ 519,846

Tri-Township Fire District
Balance Sheet
Governmental Funds
December 31, 2004

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 100,126	\$	\$ 100,126
Investments	<u>76,816</u>	<u></u>	<u>76,816</u>
Total Assets	<u>\$ 176,942</u>	<u>\$</u>	<u>\$ 176,942</u>
FUND BALANCES			
Fund balances:			
Unreserved	<u>\$ 176,942</u>	<u>\$</u>	<u>\$ 176,942</u>
Total fund balances	<u>\$ 176,942</u>	<u>\$</u>	<u>\$ 176,942</u>

See notes to financial statements.

Tri-Township Fire District
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
December 31, 2004

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 176,942
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	1,026,489
Accumulated depreciation	(586,759)

Long-term liabilities are not due and payable
in the current period and therefore are not
reported in the funds.

(96,826)

Total Net Assets - Governmental Activities	<u>\$ 519,846</u>
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See notes to financial statements.

Tri-Township Fire District
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For The Year Ended December 31, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal grants	\$ 102,384	\$	\$ 102,384
Local sources:			
Township contributions	289,054		289,054
Interest earnings	1,071		1,071
Other & fire runs	<u>2,320</u>		<u>2,320</u>
Total revenues	<u>394,829</u>		<u>394,829</u>
EXPENDITURES			
Current:			
Public safety:			
Wages and payroll taxes	82,267		82,267
Liability insurance	24,799		24,799
Building maintenance	13,817		13,817
Equipment repairs	11,096		11,096
Truck maintenance	9,070		9,070
Utilities-electric	6,882		6,882
Radio supplies	5,681		5,681
Telephone	4,344		4,344
Medical	4,251		4,251
Training	4,196		4,196
Truck-gas & oil	3,958		3,958
Fireman's supplies	2,704		2,704
Fire prevention	2,517		2,517
Professional	2,495		2,495
Utilities-heating	2,140		2,140
Office supplies	1,798		1,798
Dues	1,145		1,145
Utilities-water	570		570
Debt service:			
Principal		16,474	16,474
Interest		6,726	6,726
Capital outlay:			
Equipment-trailer	113,315		113,315
Minor equipment	<u>19,520</u>		<u>19,520</u>
Total expenditures	<u>316,565</u>	<u>23,200</u>	<u>339,765</u>
Excess(deficiency) of revenues over(under) expenditures	78,264	(23,200)	55,064

Tri-Township Fire District
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For The Year Ended December 31, 2004
(Continued)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Excess(deficiency) of revenues over(under) expenditures	78,264	(23,200)	55,064
OTHER FINANCING SOURCES(USES)			
Transfers in(out)	<u>(23,200)</u>	<u>23,200</u>	<u> </u>
Net changes in fund balances	55,064		55,064
Fund balances-beginning	<u>121,878</u>	<u> </u>	<u>121,878</u>
Fund balances-ending	<u>\$ 176,942</u>	<u>\$ </u>	<u>\$ 176,942</u>

See notes to financial statements.

Tri-Township Fire District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2004

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - governmental funds	\$ 55,064
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Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense.

The amount by which capital outlays
exceeded depreciation in the period.

Capital outlays	\$ 132,835	
Depreciation expense	(52,416)	80,419

The issuance of long-term debt provides
current financial resources to governmental
funds, while the repayment of the principal
of long-term debt consumes the current
financial resources of governmental funds.
Neither transaction, however, has any affect
on net assets. This amount is the net
effect of these differences in the treatment
of long-term debt and related items.

16,474

Change in net assets of governmental activities	<u>\$ 151,957</u>
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See notes to financial statements.

Tri-Township Fire District
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
-Budget and Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Federal grants	\$102,384	\$102,384	\$102,384	\$
Township contributions	258,162	258,162	289,054	30,892
Interest earnings	625	625	1,071	446
Other & fire runs	<u>1,823</u>	<u>1,823</u>	<u>2,320</u>	<u>497</u>
Total revenues	<u>362,994</u>	<u>362,994</u>	<u>394,829</u>	<u>31,835</u>
EXPENDITURES				
Public safety:				
Building maintenance	9,000	9,000	13,817	(4,817)
Dues	2,000	2,000	1,145	855
Equipment repairs	11,000	11,000	11,096	(96)
Fire prevention	3,500	3,500	2,517	983
Gas & oil	6,000	6,000	3,958	2,042
Insurance	24,000	24,000	24,799	(799)
Medical	3,100	3,100	4,251	(1,151)
Office supplies	4,000	4,000	1,798	2,202
Professional fees	3,125	3,125	2,495	630
Radio	10,000	10,000	5,681	4,319
Station supplies	7,000	7,000	2,704	4,296
Telephone	4,000	4,000	4,344	(344)
Training	5,000	5,000	4,196	804
Truck maintenance	15,000	15,000	9,070	5,930
Utilities	12,000	12,000	9,592	2,408
Wages & payroll taxes	72,387	72,387	82,267	(9,880)
Debt service	23,200	23,200	23,200	
Capital outlay	<u>195,105</u>	<u>195,105</u>	<u>132,835</u>	<u>62,270</u>
Total expenditures	<u>409,417</u>	<u>409,417</u>	<u>339,765</u>	<u>69,652</u>
Net change in fund balances	(46,423)	(46,423)	55,064	101,487
Fund balances-beg.	<u>46,423</u>	<u>46,423</u>	<u>121,878</u>	<u>75,455</u>
Fund balances-ending	<u>\$</u>	<u>\$</u>	<u>\$176,942</u>	<u>\$ 176,942</u>

See notes to financial statements.

**Tri-Township Fire District
Notes to Financial Statements
December 31, 2004**

I. Summary of significant accounting policies

The financial statements of the Tri-Township Fire District (the Fire District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described below.

A. Reporting entity

The Townships of Swan Creek, St. Charles and Brant comprise the volunteer fire department of the Tri-Township Fire District. By-laws have been adopted and bound by a resolution signed by each municipality effective February 3, 1986. It was established for the purpose of furnishing fire protection throughout these three Townships. Fremont Township is provided fire protection, also, and is assessed for a contribution.

The Fire District's administrative board consists of seven members who are appointed by the Townships. Two members are appointed from each Township for a six year term and the seventh member is a floater for two years with each of the three Townships taking turns.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Fire District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions

**Tri-Township Fire District
Notes to Financial Statements
December 31, 2004**

I. Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements (continued)

that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Fire District has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and basis of presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Fire District and are recognized as revenue at that time.

**Tri-Township Fire District
Notes to Financial Statements
December 31, 2004**

I. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and basis of presentation (continued)

The Fire District reports the following major governmental fund:

The *special revenue fund* is the Fire District's primary operating fund. It accounts for all financial resources of the Fire District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

The Fire District's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Fire District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature

Tri-Township Fire District
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets (continued)

1. Cash and investments (continued)

not more than 270 days after the date of purchase. The Fire District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Fire District Board has designated one bank for the deposit of Fire District funds.

2. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Fire District as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Fire District is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Office equipment	5 years
Fire trucks, pumpers, trailers	10 years
Vehicle	5 years
Minor equipment	5 years

3. Compensated absences

The Fire District does not have a compensated absence policy.

**Tri-Township Fire District
Notes to Financial Statements
December 31, 2004**

I. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets (continued)

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Fund balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

Tri-Township Fire District
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets (continued)

6. Use of estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$439,730 difference are as follows:

Capital outlay	\$1,026,489
Accumulated depreciation	<u>(586,759)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 439,730</u>

Tri-Township Fire District
Notes to Financial Statements
December 31, 2004

III. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Fire District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Fire District Board a proposed budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally adopted by the Fire District Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Fire District Board.
5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has not been amended.

Tri-Township Fire District
Notes to Financial Statements
December 31, 2004

III. Stewardship, compliance and accountability (continued)

B. Excess of expenditures over appropriations

During the year ended December 31, 2004, the Fire District has not incurred expenditures in the public safety activity which were in excess of amounts appropriated.

IV. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the Fire District's deposits were \$176,942 and the bank balance was \$186,082, of which \$186,082 was covered by federal depository insurance.

B. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:			
Capital assets, not being depreciated	\$ 50,000	\$	\$ 50,000
Capital assets being depreciated:			
Buildings	294,987		294,987
Office equipment	1,746		1,746
Fire trucks, pumpers trailers	422,457	113,315	535,772
Vehicles	49,765		49,765
Minor equipment	<u>74,699</u>	<u>19,520</u>	<u>94,219</u>
Total capital assets being depreciated	<u>843,654</u>	<u>132,835</u>	<u>976,489</u>
Less accumulated depreciation for:			
Buildings	(132,744)	7,375	(140,119)
Office equipment	(1,746)		(1,746)
Fire trucks, pumpers, trailers	(310,040)	28,149	(338,189)
Vehicles	(49,765)		(49,765)
Minor equipment	<u>(40,048)</u>	<u>16,892</u>	<u>(56,940)</u>

Tri-Township Fire District
Notes to Financial Statements
December 31, 2004

IV. Detailed notes on all funds (continued)

B. Capital assets (continued)

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Total accumulated depreciation	(534,343)	52,416	(586,759)
Total capital assets, being depreciated, net	309,311	80,419	389,730
Governmental activities capital assets-net of depreciation	<u>\$ 359,311</u>	<u>\$ 80,419</u>	<u>\$ 439,730</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public safety	\$ 52,416
Total depreciation expense-governmental activities	<u>\$ 52,416</u>

C. Interfund transfers

Interfund transfers:

	<u>Transfer In:</u>		
	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfer out:			
Special revenue fund	\$	\$ 23,200	\$ 23,200
Total transfers out	<u>\$</u>	<u>\$ 23,200</u>	<u>\$ 23,200</u>

Tri-Township Fire District
Notes to Financial Statements
December 31, 2004

IV. Detailed notes on all funds (continued)

D. Long-term debt

Note Payable

The Fire District borrowed \$179,585 for a 1998 Laverne Pumper from Community State Bank on December 14, 1999 at an interest rate of 5.50 percent per annum with payments of \$23,200 annually on June 1st until maturity at June 1, 2009.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	5.50%	<u>\$ 96,826</u>

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 17,875	\$ 5,325
2006	18,858	4,342
2007	19,895	3,305
2008	20,989	2,211
2009	<u>19,209</u>	<u>1,056</u>
Total	<u>\$ 96,826</u>	<u>\$ 16,239</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Notes payable	<u>\$ 113,300</u>	<u>\$ (16,474)</u>	<u>\$ 96,826</u>	<u>\$ 17,875</u>

Tri-Township Fire District
Notes to Financial Statements
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V. Other information

A. Risk management

The Fire District is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Fire District has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B. Pension Plan

The Fire District does not provide a pension plan for its employees.

C. Implementation of new accounting standard

As of and for the year ended December 31, 2004, the Fire District implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Fire District's Board
Tri-Township Fire District
Saginaw County, Michigan

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

We have audited the financial statements of Tri-Township Fire District, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated February 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Tri-District Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri-District Fire District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period

Tri-Township Fire District
Report on Compliance and
on Internal Control
Page Two

Internal Control Over Financial Reporting - Continued

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Fire District Board, and the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bany E. Sandell, CPA, PC

February 6, 2005